The Bucket

By Editorial Staff *Thu, Sep 13, 2012*

Brief or late-breaking items from New York Life, Phoenix Companies, Strategic Insight, BlackRock, DST Systems Inc., AXA Equitable Life, and Principal Financial.

NY Life to sell Mexican surety bond operation

New York Life has agreed to sell Fianzas Monterrey, its wholly-owned surety bonnd busiess in Mexico, to ACE Group for $285 million in cash. New York Life acquired Fianzas Monterrey in 2000 when it purchased Seguros Monterrey from Aetna Inc. and Grupo Financiero Bancomer S.A.

Ted Mathas, chairman and CEO of New York Life, said in a release that Fianzas Monterry was “outside of our primary focus on the life insurance and investments businesses.

“In terms of life insurance, our focus is now exclusively on the U.S. where we have the leading market share, and on Seguros Monterrey New York Life, our wholly-owned Mexican subsidiary and the second-largest life insurer in Mexico. Additionally, ACE is a well established global insurer,” Mathas said.

Phoenix Cos. boasts $1.5 billion in fixed index annuity assets

The Phoenix Companies, Inc., says that it now has $1.5 billion in fixed indexed annuity assets under management, only two and a half years after entering the FIA space.

The former variable annuity player shifted its focus to the middle market in 2009 and began building a fixed indexed annuity product line. Broker-dealers generally sell VAs with lifetime income guarantees only from A-rated companies, and Phoenix has a strength rating from A.M. Best of B+ with a positive outlook.

“Our focus is on developing competitive and profitable products, establishing partnerships with strategically positioned Insurance Market Organizations (IMOs) and investing in technology infrastructure to meet the needs of these partners as well as our end clients,” said Phoenix president and CEO James D. Wehr in a release.

FIAs first became popular during the low-interest rate environment following the dot.com crash, when investors shied from equities but wanted higher returns than bonds offered. FIAs traditionally offer guaranteed principal (after fees) and upside exposure through equity options.

A similar market environment after the 2008-2009 crisis revived consumer interest in FIAs, and they have been posting record sales. FIA sales have been helped by the fact they now offer guaranteed lifetime withdrawal benefits. FIAs have also tried to seize the sales opportunity created by the pullback of many VA-

GLWB issuers from the market.

Phoenix has been aggressive in creating flexible annuities, including contracts that offer immediate or deferred income or that allow contract owners to choose among lifetime income, chronic care or enhanced death benefit options.

“Consumers approaching retirement face many challenges including access to adequate income, protection against the high costs of chronic care and transfer of wealth to heirs. The current trend in annuities is to address multiple needs like these in a more affordable way than standalone products,” said Phil Polkinghorn, SEVP and president of Business Development, said.

Some of Phoenix’s most recent products add even more flexibility by allowing an annuity holder, for an additional fee, to choose from up to three different benefits (including lifetime income, chronic care and an enhanced death benefit) to create a customized solution that meets their particular retirement needs.

Phoenix’ distribution company, Saybrus Partners, Inc., works with about two dozen insurance marketing organizations, each of which has access to between 1,200 and 1,500 agents.

Phoenix works with its IMO partners in a variety of ways, including Phoenix co-develops proprietary products with its IMOs and provides proprietary client education, sales training and support, and technology to support the agents. that all make it easier for agents to find suitable products for their clients and complete the sale.

After launching the first two products in its new fixed indexed annuity line at the end of 2009, Phoenix had nearly $200 million in deposits in 2010. In 2011, that number approached $1 billion, and the company has said it expects about $1 billion in deposits again in 2012. Since the end of 2009, fixed indexed annuity funds under management have grown to $1.5 billion at June 30, 2012.

Long-term funds receive net $23 billion in August, nearly $220 billion YTD

So far in 2012, U.S. Stock fund investors benefitted from over $600 billion of wealth creation as stock indices reached and eclipsed multi-year records, and stock funds’ appreciation exceeded 10%. Yet, stock fund investors continued to redeem some of their holdings, with August net stock fund redemptions estimated at $11 billion, the highest monthly redemptions so far in 2012, according to Strategic Insight. (Flow data in open-end and closed-end mutual funds, excluding ETFs and funds underlying variable annuities.)

While stock fund redemptions have risen modestly in August, the amount withdrawn represents just $2 for every $1,000 invested in U.S. stock funds (internationally-invested stock funds continued to exhibit modest inflows in August). “Overall, stock investors remain in a holding pattern, with many watching the rising stock prices with regret or disbelief, while others take some of their recent profits of the table,” said Avi Nachmany, SI’s Director of Research.

Nachmany added, “Stock prices continue to rise in a background of lingering economic, employment, and political anxiety. But investors’ wall of worries will be easier to climb as confidence on Main Street slowly improves with the budding real estate recovery taking shape, with further employment gains, and with political clarity achieved.”

An insatiable search for investment income and stability remains behind strong inflows to bond funds, which are on path to exceed $300 billion for the full year, with August flows adding $34 billion. Since year-end 2008 assets held in bond funds more than doubled, now exceeding $3 trillion. Demand to bond funds remained widespread, spanning high-quality and high-yield strategies, U.S. and emerging market bond funds, as well as municipal bond funds. Almost all bond fund strategies experienced positive flows during August.

“We anticipate recent investors’ preference to persist in the coming months, but that a slow rotation towards stock funds may emerge in early 2013,” added Mr. Nachmany.

Fund-of-funds inflows so far this year eclipsed $54 billion, with August adding $7 billion. Fund of funds’ assets under management now exceed $900 billion. In addition, fund-of-funds used by investors in variable annuities gained about $20 billion so far in 2008, with assets in such funds over $400 billion. “Lifecycle and other asset allocation solutions have become ‘go-to’ products for those seeking balanced retirement portfolios,” added Bridget Bearden, head of Strategic Insight’s Defined Contribution and Target Date funds practice.

Money-market funds saw net positive flows of $10 billion in August, but redemptions in such funds exceeded $140 billion so far in 2012.

ETFs: Exchange-traded products enjoyed $2 billion in net inflows in August 2012, bringing total ETF net inflows (including ETNs) to $94 billion for the first eight months of 2012. The most popular ETF categories in August were Gold / Precious Metal as returns of such funds surged in August. At the end of August 2012, US ETF assets (including ETNs) stood at $1.2 trillion.

BlackRock joins DST Vision lineup

BlackRock, Inc., is now participating in DST Vision, the Web-based account management tool for financial intermediaries. The provider of investment, advisory, and risk management solutions, went live with its Vision participation on June 16, 2012. The firm joins more than 415 mutual fund, insurance, and real estate investment trust companies currently on the DST Vision platform.

With the addition of BlackRock, all of the top 25 wholesale-distributed fund families now participate in Vision.

DST Vision has become the market leader by consistently delivering vital functionality and advanced technology to help advisors simplify their day-to-day practice management. Vision provides one-stop access to client account information consolidated across its participating companies for an aggregated book-of-business. Providing advisors access to real-time, critical information and self-servicing tools, Vision helps them spend less time managing information and more time on their clients' investing needs. With more than 130,000 advisors accessing it every month, DST Vision enables product companies to reduce support costs and optimize distribution.

BlackRock serves a broad range of investors in more than 100 countries. The firm's retail and high-net-worth investors are served primarily through intermediaries, including broker-dealers, banks, trust companies, insurance companies, and independent financial advisors. At year-end 2011, assets under management for these investors totaled $403.7 billion.

AXA Equitable introduces Fiduciary Educator

AXA Equitable Life Insurance Company has launched Fiduciary Educator (www.axa-equitable.com/fiduciaryeducator), a retirement plan fiduciary education website created for 401(k) and 457 retirement plan sponsors and the financial professionals who work with them.

Applying leading edge technology and best practices in interactive adult online education, the site guides users through the basics of what it means to be a plan fiduciary and shares strategies that can help them fulfill a fiduciary obligation.

Through a series of short videos, Fiduciary Educator helps plan sponsors understand:

- Who is a plan fiduciary?
- Consequences of a breach in fiduciary obligations
- Due diligence and procedural prudence
- Participant communication
- How to alleviate and shift fiduciary burden

Interactive quizzes follow each video to help assess if fiduciary duties are being fulfilled, and whether a fiduciary service provider might be helpful.
Fiduciary Educator provides users with access to a library full of education materials shared by an array of leading industry firms. Users can preview the materials online or save them in "knowledge baskets" for later reference.

Financial professionals are also invited to visit Fiduciary Educator. The site offers educational materials tailored to financial professionals who work with plan sponsors.

Access the Fiduciary Educator at www.axa-equitable.com/fiduciaryeducator

Principal Retirement+ website offers resources for advisors

To help financial professionals work with clients to fill this gap and address their retirement needs, the Principal Financial Group has introduced a new suite of tools and resources.

“Our top-tier product portfolio includes products designed specifically for the business market with flexible funding options, coupled with traditional and innovative policy riders”

Through Principal Retirement+, financial professionals have access to comprehensive information, education and resources including:

- A simple online retirement gap calculator to prepare a customized gap analysis for clients.
- Consultative expertise including one-on-one case design, analysis and presentation.
- Post-sale support and ongoing administrative services.

The new Principal Retirement+ site, www.principal.com/retirementplus, leads financial professionals through the entire sales process from identifying the savings gap to creating an action plan. Financial professionals have direct access to a team of CPAs, attorneys and plan design consultants with years of experience in the business market. Choosing from a wide range of possible supplemental retirement solutions, professionals at The Principal will develop a customized proposal to help meet each individual client’s needs.

DST introduces IRA functionality to retirement income solution

DST Systems, Inc., a leading provider of sophisticated information processing solutions to the asset management, insurance, retirement, and brokerage industries, today announced the addition of IRA functionality to its recently-introduced *Retirement Income Clearing Calculator* (“RICC”).

RICC, the industry’s first middleware solution designed specifically to support guaranteed retirement income products through traditional recordkeeping platforms, was initially designed to support retirement income products in defined contribution plans.

The introduction of IRA functionality presents new opportunities for mutual fund companies, investment managers, and other wealth management providers to support retirement income products in IRAs and other retirement-focused investment accounts.

First introduced in February, the RICC solution was built to provide investment product providers an efficient way to offer income products outside of direct servicing on policy administration systems which are typically but not limited to insurers. Beyond facilitating broader distribution, the new DST recordkeeping platform allows for greater portability of income products.

RICC’s design contemplates a broad array of income solutions, enabling the platform to incorporate any number of functionalities to deliver an income solution to the market.